

Section 11 Biennial Review on May 11, 1998. It appears less than 5% of these proposed changes were included in the Notice for comment. USTA will file the final version of its proposals as an attachment to its comments. It is a comprehensive proposal that BellSouth fully supports. BellSouth urges the Commission to consider these proposals and not summarily dismiss them, as appears to have been done in the Notice.

B. BellSouth Proposes Other Accounts Or Filings That Could Be Reduced Or Eliminated

Section IV of the Notice proposes minor changes including the elimination of a few support asset accounts and the reduction of a few filing requirements. These proposals are a good beginning. However, they are far from identifying all regulation that is no longer in the public interest and should be eliminated. Accordingly, pursuant to paragraph 19 of the Notice, BellSouth proposes changes in the current rules. BellSouth has also included attachments that identify, for each proposal, a redacted and modified set of rules to implement those proposals.

1. Eliminate 47 C.F.R. 35.5999(f)

Simplify Part 32 by eliminating the expense matrix categories required in Section 32.5999(f). Telecommunications carriers are required to identify the amount included in each Part 32 expense account (61xx-67xx) for salaries and wages, benefits, rents, other expenses, and clearances. Tracking of cost by expense matrix category does not provide any benefit under the current regulatory paradigm of price regulation. See Attachment 2 for modification of rules to implement this recommendation.

2. Eliminate Requirement to Have GAAP Changes Approved

Simplify Part 32 by eliminating the requirement for Commission approval prior to adoption of changes in accounting standards by carriers. Part 32 rules incorporate generally accepted accounting principles ("GAAP"). The Financial Accounting Standards Board provides

a process through which proposed changes in GAAP are exposed for debate, discussion and evaluation. When this process is complete and new or changed accounting standards are issued, notification of the intention to adopt and performance of revenue requirement impact study for the current year and three years into the future puts an extra burden on telecommunications carriers that is not shared by their competitors. See Attachment 3 for modification of rules to implement this recommendation.

3. Eliminate Transfer Requirement of Suspended Projects

Simplify Part 32 by modifying Section 32.2003 to eliminate the requirement that projects suspended for six months or more be transferred to Account 2006, Non-operating Plant. This requirement was added when the Commission modified Part 32 to consolidate Accounts, 2003 and 2004 into Account 2003, Telecommunications Plant Under Construction. Projects frequently get suspended for six months or more and this requirement produces unnecessary transfers between these two accounts. See Attachment 4 for modification of rules to implement this recommendation.

4. Eliminate Rules Regarding Recording of Unusual Items, Contingent Liabilities and Rules Regarding Materiality

Simplify Part 32 by modifying the requirements in Section 32.25 and 32.26 to eliminate the requirement to notify the Commission prior to booking unusual items and contingent liabilities and the requirement to not follow GAAP guidance on materiality. See Attachment 5 for modification of rules to implement this recommendation.

5. Eliminate Tax Gross-Up Calculation for Financial Statement of Accounting Standards ("FSAS") 109 Entries

Simplify Part 32 by eliminating the requirement to perform a tax gross up calculation on FSAS 109 entries. Modify Section 32.4341 to eliminate the requirements to make balance sheet

entries for recognition of FSAS 109. This can be accomplished by removing the requirement to gross up deferred taxes to a revenue requirement level and journalize the gross up in Accounts 4341 and 4361. See Attachment 6 for modification of rules to implement this recommendation.

6. Modify Section 32.2000(f)(i) to Permit Average Costing of Investment in Hardware Central Office Equipment

Simplify Continuing Property Record ("CPR") requirements at Section 32.2000(f)(i) by permitting average costing of hardware investment at the state level for retirements/transfers of hardwired investment. Use First In-First-Out ("FIFO") method to distribute material and other cost to hardwired investment at the state level. See Attachment 7 for modification of rules to implement this recommendation.

7. Eliminate Accounts 2411 Poles and 2441 Conduit Systems

Simplify Part 32 by permitting the transfer of the costs in Account 2411, Poles, to Account 2421, Aerial Cable, and permitting the transfer of costs in Account 2441, Conduit Systems, to Account 2422, Underground Cable. The cost of poles and conduit systems transferred to Accounts 2421 and 2422 should be spread over the retirement units in each of these accounts. Expenses charged to Account 6411, Poles Expense, and Account 6441, Conduit Expense, would be classified to Account 6421, Aerial Cable Expense, and Account 6422, Underground Cable Expense, respectively. See Attachment 8 for modification of rules to implement this recommendation.

8. Permit All Telecommunications Carriers to Use the Class B Level Chart of Accounts

Pursuant to the discussion in Section II above, simplify Part 32 by consolidating the chart of accounts for all telecommunications carriers to the Class B level. The carriers' books will

continue to provide the financial information required for ARMIS reporting and Part 36 separations. See Attachment 9 for modification of rules to implement this recommendation.

V. CONCLUSION

BellSouth urges the Commission to recognize the telecommunications industry has changed dramatically in the last ten years and that many of the accounting and cost allocation rules implemented a decade ago for rate of return regulation are obsolete and serve no useful purpose. BellSouth believes the accounting and cost allocation rules are one of the last vestiges of rate of return regulation and do not reflect the change that has occurred and continues to occur in the telecommunications industry. In fact, while other requirements and processes are being streamlined and simplified the accounting and cost allocations requirements have continued to become ever more burdensome. Under the 1996 Act, the Commission has an unambiguous statutory mandate to reverse this trend in this proceeding. Thus, the Commission should reverse this trend and follow Congress' mandate and eliminate regulation that is no longer in the public interest.

In these Comments, BellSouth has shown that the price cap LECs have no incentive or ability to engage in cost shifting. Many of the existing accounting and cost allocation rules, which are vestiges of rate of return regulation, are no longer necessary and should be eliminated

The Commission should, therefore, apply the proposals in the Notice to include not only mid-sized LECs, but also large LECs. Additionally, the Commission should adopt the recommendations set forth in these Comments.

Respectfully submitted,

BELLSOUTH CORPORATION AND
BELLSOUTH TELECOMMUNICATIONS, INC.

A handwritten signature in cursive script, appearing to read "M. Robert Sutherland", is written over a horizontal line.

M. Robert Sutherland
Stephen L. Earnest

Their Attorneys
Suite 1700
1155 Peachtree Street, N.E.
Atlanta, GA 30309-3610
(404) 249-2608

Date: July 17, 1998

PART 32 SIMPLIFICATION
ELIMINATE FAIR MARKET VALUE RULE FOR SERVICES
BETWEEN CARRIERS AND NONREGULATED AFFILIATES

Modify Section 32.27(c) of the affiliate transaction rules to eliminate the requirement to estimate the value of services provided to or received from affiliates as follows:

(c) Services provided between a carrier and its affiliate pursuant to a tariff, including a tariff filed with a state commission, shall be recorded in the appropriate revenue accounts at the tariffed rate. Non-tariffed services provided between a carrier and its affiliate pursuant to publicly-filed agreements submitted to a state commission pursuant to section 252(e) of the Communications Act of 1934 or statements of generally available terms pursuant to section 252(f) shall be recorded using the charges appearing in such publicly-filed agreements or statements. Non-tariffed services provided between a carrier and its affiliate that qualify for prevailing price valuation, as defined in part (d) of this section, shall be recorded at the prevailing price. For all other services provided by a carrier's regulated operations to its affiliate, the services shall be recorded at ~~the higher of fair market value and~~ fully distributed cost. For all other services received by a carrier's regulated operations from its affiliate, the service shall be recorded at ~~the lower of fair market value and~~ fully distributed cost, ~~except that services received by a carrier from its affiliate that exists solely to provide services to members of the carrier's corporate family shall be recorded at fully distributed cost. For purposes of this section carriers are required to make a good faith determination of fair market value~~

PART 32 SIMPLIFICATION
ELIMINATE EXPENSE MATRIX REQUIREMENTS

Eliminate Section 32.5999(f) from Part 32

~~(f) *Expense Matrix.* The expense accounts shall be maintained by the following subsidiary record categories, as appropriate to each account. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.~~

~~(1) *Salaries and wages.* This subsidiary record category shall include compensation to employees, such as: wages, salaries, commissions, bonuses, incentive awards and termination payments.~~

~~(2) *Benefits.* This subsidiary record category shall include payroll related benefits on behalf of employees such as the following:~~

~~_____ Pensions
_____ Savings plan contributions (company portion)
_____ Workers compensation required by law
_____ Life, hospital, medical, dental, and vision plan insurance
_____ Social Security and other payroll taxes~~

~~(3) *Rents.*~~

~~(i) This subsidiary record category shall include amounts paid for the use of personal operating property. Amounts paid for real property shall be included in Account 6121, Land and Buildings Expense. This category includes payments for operating leases but does not include payments for capital leases.~~

~~(ii) This subsidiary record category is applicable only to the Plant Specific Operations Expense accounts. Incidental rents, e.g., short term rental car expense, shall be categorized as Other Expenses (see paragraph (f)(4) of this section) under the account which reflects the function for which the incidental rent was incurred.~~

~~(4) *Other expenses.* This subsidiary record category shall include costs which cannot be classified to the other subsidiary record categories. Included are material and supplies, including provisioning (note also Account 6512, Provisioning Expense); contracted services; accident and damage payments; insurance premiums; traveling expenses and other miscellaneous costs.~~

~~(5) *Clearances.* This subsidiary record category shall include amounts transferred to Construction accounts (see § 32.2000 (c)(2)(iii)), or other Plant Specific Operations Expense accounts, and/or Account 3100, Accumulated Depreciation (cost of removal; see § 32.2000(g)(1)(iii)), as appropriate, from Accounts 6112, Motor Vehicle Expense, 6113, Aircraft Expense, 6114, Special Purpose Vehicles Expense, 6116, Other Work Equipment Expense, 6534, Plant Operations Administration Expense, and 6535, Engineering Expense. There shall also be transfers to Construction or other Plant Specific Operations Expense accounts, as appropriate, from Account 6512, Provisioning Expense. With respect to these expenses, companies may establish such clearing accounts as they deem necessary to accomplish substantially the same results, provided that within 30 days of the opening of such accounts, companies shall notify the Commission of the nature and purpose thereof. Additional clearing accounts affecting other expense areas may be established with prior approval of the Commission. Should companies elect, the initial incurred subsidiary record category identification may be carried through to the final accounts without this Commission's approval.~~

PART 32 SIMPLIFICATION

ELIMINATE REQUIREMENT FOR COMMISSION APPROVAL

BEFORE ADOPTING CHANGES TO EXISTING OR NEW ACCOUNTING STANDARDS

Modify Section 32.16 Changes in accounting standards as follows:

(a) The company's records and accounts shall be adjusted to apply new accounting standards prescribed by the Financial Accounting Standards Board or successor authoritative accounting standard- setting groups, in a manner consistent with generally accepted accounting principles. ~~The change in accounting standard will automatically take effect 90 days after the company informs this Commission of its intention to follow the new standard, unless the Commission notifies the company to the contrary. Concurrent with informing this Commission of its intent to adopt an accounting standards change, the company shall also file a revenue requirement study for the current year and a projection for three years into the future analyzing the effects of the accounting standards change. Furthermore, any Changes subsequently adopted~~ by carriers shall be disclosed in annual reports to this Commission.

(b) The changes in accounting standards which ~~this Commission approves~~ the carriers adopt will not necessarily be binding on the ratemaking practices of the various state commission.

PART 32 SIMPLIFICATION

ELIMINATE REQUIREMENT TO TRANSFER SUSPENDED PROJECTS
TO ACCOUNT 2006

Modify Section 32.2003(c) as follows:

(c) If a construction project has been suspended for six months or more, companies shall discontinue capitalization of AFUDC until construction is resumed. ~~the cost of the project included in this account shall be transferred to Account 2006, Nonoperating Plant, without further direction or approval of this Commission.~~ If a project is abandoned, the cost included in this account shall be charged to Account 7370, Special Charges.

SIMPLIFY PART 32 BY SECTIONS 32.25 AND 32.26 AS FOLLOWS:

32.25 Unusual items and contingent liabilities.

Extraordinary items, prior period adjustments and contingent liabilities shall be submitted to this Commission for review before being recorded in the company's books of account in accordance with the requirements of generally accepted accounting principles (GAAP). ~~The materiality of corrections of errors in prior periods shall be measured in relation to the summary account level used for reporting purposes for Class A carriers, or in relation to total operating revenues or total operating expenses for Class B carriers. For Class A carriers, no correction in excess of one percent of the aggregate summary account dollars or one million dollars, whichever is higher, may be recorded in current operating accounts without prior approval. For Class B carriers, no correction which exceeds one percent of total operating revenues or one percent of total operating expenses, depending on the nature of the item, may be recorded in current operating accounts without prior approval.~~

32.26 Materiality.

Companies shall follow this system of accounts in recording all financial and statistical data. When errors occur or better estimates become available corrections should be made based on the GAAP. ~~irrespective of an individual items criteria of materiality, under GAAP, unless a waiver has been granted under the provisions of § 32.18 of this subpart to do otherwise.~~

PART 32 SIMPLIFICATION

ELIMINATE REQUIREMENTS TO MAKE BALANCE SHEET ENTRIES
FOR GROSS UP FAS 109 ASSETS/LIABILITIES

32.1437 Deferred Tax Regulatory Asset.

~~(a) This account shall include amounts of probable future revenue for the recovery of future increases in taxes payable. As reversals occur, amounts recorded in this account shall be reduced with a credit entry and a debit entry to Account 4341, Net Deferred Tax Liability Adjustments.~~

(b) This account shall also be adjusted for the impact of prospective tax rate changes on the deferred tax liability for those temporary differences underlying its existing balance. If the cumulative effect of such adjustments reduce the account to a net credit balance, such balance shall be reclassified to Account 4361.

Section 32.4361 Deferred Tax Regulatory Liability.

~~(a) This account shall include amounts of probable future revenue reductions attributable to future decreases in taxes payable. As reductions occur, amounts recorded in this account shall be reduced with a debit entry and a credit entry to Account 4341, Net Deferred Tax Liability Adjustments.~~

(b) This account shall also be adjusted for the impact of prospective tax rate changes on the deferred tax liability for those temporary differences underlying its existing balance. If the cumulative effect of such adjustments reduces the account to a net debit balance, such balance shall be reclassified to Account 1437.

PART 32 SIMPLIFICATION

MODIFY SECTION 32.2000(f)(i) TO PERMIT AVERAGE COSTING OF INVESTMENT IN HARDWIRED CENTRAL OFFICE EQUIPMENT(COE)

(f) *Standard practices for establishing and maintaining continuing property records.*

(1) *Accounting area.*

(i) The continuing property record, as related to each primary plant account, shall be established and maintained by subaccounts for each accounting area. An accounting area is the smallest territory of the company for which accounting records of investment are maintained for all plant accounts within the area. Areas already established for administrative, accounting, valuation, or other purposes may be adopted for this purpose when appropriate. In no case shall the boundaries of accounting areas cross ~~either State lines or boundaries prescribed by the Commission.~~

(ii) In determining the limit of each area consideration ~~shall~~ may be given to the quantities of property, construction conditions, operating districts, county and township lines, taxing district boundaries, city limits, and other political or geographical limits, in order that the area adopted may have maximum adaptability, within the confines of practicability, for both the company's purpose and those of Federal, State, and municipal authorities.

(3) *Methods of determining original cost of property record units.* The original cost of the property record units shall be determined by analyses of the construction costs incurred as shown by completion reports and other data, accumulated in the respective construction work orders or authorization. Costs shall be allocated to and associated with the property record units to facilitate accounting for retirements. For example other costs incurred to installed COE hardwired investment not specifically identifiable with the retirement units may be allocated to the retirement units using a first in first out method of distributing the costs. The original cost of property record units shall be determined by unit identification or averaging as described in paragraphs (f)(3) (i) and (ii) of this section.

(i) *Unit identification.* Cost shall be identified and maintained by specific location for property record units contained within certain regulated plant accounts or account groupings such as Land, Buildings, Central Office Switching, Central Office Network Management, Motor Vehicles, Garage Work Equipment, and Furniture. In addition, units involved in any unusual or special type of construction shall be recorded by their specific location costs (note also paragraph § 32.2000(f)(3)(ii)(B) of this subpart.

PART 32 SIMPLIFICATION

MODIFY SECTION 32.2000(f)(i) TO PERMIT AVERAGE COSTING OF INVESTMENT IN HARDWIRED CENTRAL OFFICE EQUIPMENT(COE)

(ii) *Averaging.*

(A) Average costs may be developed for plant consisting of a large number of similar units such as terminal equipment, poles, wire, cable, cable terminals, conduit, hardwired COE equipment furniture, and work equipment. Units of similar size and type within each specified accounting area such as a state and regulated plant account such as COE hardwired investment may be grouped. Each such average cost shall be set forth in the continuing property record of the units with which it is associated. §)

(B) The averaging of costs permitted under the provisions of the foregoing paragraph is restricted to plant having similar characteristics installed in a particular ~~vintage or band of years incurred within an~~ accounting area. ~~This paragraph does not permit the inclusion of the cost of units involved in any unusual or special type of construction. The units involved in such unusual or special type of construction shall be recorded at cost by location.~~

(5) *Identification of property record units.* There shall be shown in the continuing property record or in record supplements thereof, a complete description of the property records units in such detail as to identify such units. The description shall include the identification of the work order under which constructed, the year of installation (unless not determinable per § 32.2000(f)(4) of this subpart, specific location of the property within each accounting area in such manner that it can be readily spot-checked for proof of physical existence, the accounting company's number or designation, and any other description used in connection with the determination of the original cost. Descriptions of units of similar size and type shall follow prescribed groupings.

(6) *Reinstalled units.* When units to which average costs are not applied, i.e., specific and fixed location units, are removed or retired and subsequently reinstalled, the date when the unit was first charged to the appropriate plant account shall, when required for adequate service life studies and reasonably accurate retirement accounting, be shown in addition to the date of reinstallation.

(7) *Age and service life of property.* The continuing property record shall disclose the age of existing property and the supporting records shall disclose the service life of property retired. Exceptions from this requirement for any property record unit shall be submitted to the Commission for approval.

(8) *Reference to sources of information.* There shall be shown by appropriate reference the source of all entries. All drawings, computations, and other detailed records which support quantities and costs of estimated costs shall be retained as a part of on in support of the continuing property record.

PART 32 SIMPLIFICATION

ELIMINATE ACCOUNTS 2411 POLES AND 2441 CONDUIT SYSTEMS

Modify Part 32 to transfer cost of poles and conduit systems to aerial cable and underground cable as follows:

32.2411 Poles.

~~This account shall include the original cost of poles, crossarms, guys and other material used in the construction of pole lines and shall include the cost of towers when not associated with buildings. This account shall also include the cost of clearing pole line routes and of tree trimming but shall exclude the cost of maintaining previously cleared routes.~~

32.2421 Aerial cable.

(a) This account shall include the original cost of aerial cable and of drop and block wires served by such cable or aerial wire as well as the cost of other material used in construction of such plant. Subsidiary record categories, as defined below, are to be maintained for nonmetallic aerial cable and metallic aerial cable.

(1) *Nonmetallic cable.* This subsidiary record category shall include the original cost of optical fiber cable and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(2) *Metallic cable.* This subsidiary record category shall include the original cost of single or paired conductor cable, wire and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(b) The cost of permits and privileges for the construction of cable and wire facilities shall be chargeable with such construction.

(c) This account shall also include the original cost of poles, crossarms, guys and other material used in the construction of pole lines and shall include the cost of towers when not associated with buildings. This account shall also include the cost of clearing pole line routes and of tree trimming but shall exclude the cost of maintaining previously cleared routes.

~~32.6411 Poles expense.~~

~~This account shall include expenses associated with poles.~~

32.6421 Aerial cable expense.

(a) This account shall include expenses associated with aerial cable.

(b) Subsidiary record categories shall be maintained as provided in § 32.2421(a) of Subpart C.

PART 32 SIMPLIFICATION

ELIMINATE ACCOUNTS 2411 POLES AND 2441 CONDUIT SYSTEMS

(c) This account shall include expenses associated with poles.

32.2422 Underground cable.

(a) This account shall include the original cost of underground cable installed in conduit and of other material used in the construction of such plant. This account shall include the original cost of conduit, whether underground, in tunnels or on bridges, which is reusable in place. It shall also include the cost of opening trenches and of any repaving necessary in the construction of conduit plant. Subsidiary record categories, as defined below, are to be maintained for nonmetallic underground cable and metallic underground cable.

(1) *Nonmetallic cable.* This subsidiary record category shall include the original cost of optical fiber cable and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(2) *Metallic cable.* This subsidiary record category shall include the original cost of single or paired conductor cable, wire and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(b) The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with construction work and the cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

(c) The cost of drop and block wires served by underground cable shall be included in Account 2423, Buried Cable. The cost of protective covering for buried cable shall be charged to Account 2423, Buried Cable, as appropriate, unless such protective covering is reusable in place. The amounts thus charged shall be included in the nonmetallic buried cable or metallic buried cable subsidiary record category, as appropriate.

(d) The cost of cables leading from the main distributing frame or equivalent to central office equipment shall be included in the appropriate switching, transmission or other operations asset account. The cost of pipes or other protective covering for underground drop and block wires shall be included in Account 2421, Aerial Cable or Account 2423, Buried Cable, as appropriate. The amounts thus charged shall be included in the nonmetallic or metallic subsidiary record category, as appropriate. The cost of pipes or other protective covering for inside wires shall be included in Account 6321, Customer Premises Wiring Expense.

32.2441 ~~Conduit systems.~~

~~(a) This account shall include the original cost of conduit, whether underground, in tunnels or on bridges, which is reusable in place. It shall also include the cost of opening trenches and of any repaving necessary in the construction of conduit plant.~~

~~(b) The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with construction work and the cost of permits and privileges for the construction of cable and wire facilities shall be chargeable with such construction.~~

~~(c) The cost of protective covering for buried cable shall be charged to Account 2423, Buried Cable, as appropriate, unless such protective covering is reusable in place. The amounts~~

PART 32 SIMPLIFICATION

ELIMINATE ACCOUNTS 2411 POLES AND 2441 CONDUIT SYSTEMS

~~thus charged shall be included in the nonmetallic buried cable or metallic buried cable subsidiary record category, as appropriate.~~

~~(d) The cost of pipes or other protective covering for underground drop and block wires shall be included in Account 2421, Aerial Cable or Account 2423, Buried Cable, as appropriate. The amounts thus charged shall be included in the nonmetallic or metallic subsidiary record category, as appropriate. The cost of pipes or other protective covering for inside wires shall be included in Account 6321, Customer Premises Wiring Expense.~~

32.6422 Underground cable expense.

(a) This account shall include expenses associated with underground cable.

(b) Subsidiary record categories shall be maintained as provided in § 32.24.22(a) of Subpart C.

(c) This account shall include expenses associated with conduit systems.

~~**32.6441 Conduit systems expense.**~~

~~This account shall include expenses associated with conduit systems.~~

PART 32 SIMPLIFICATION

CHANGE PART 32 TO PERMIT ALL TELECOMMUNICATIONS CARRIERS TO USE THE CLASS B LEVEL CHART OF ACCOUNTS

Modify Part 32 Section 32.11 to permit all telecommunications carriers to use Class B chart of accounts (see Attachment A) as follows:

32.11 Classification of companies.

(a) For accounting purposes, companies are divided into classes as follows:

(1) Class A. Companies having annual revenues from regulated telecommunications operations that are equal to or above the indexed revenue threshold.

(2) Class B. Companies having annual revenues from regulated telecommunications operations that are less than the indexed revenue threshold.

(b) ~~ALL Class A~~ companies shall keep all the accounts of this system of accounts which are applicable to their affairs and are designated as Class ~~A~~B accounts. ~~Class A These companies~~ shall also keep Basic Property Records in compliance with the requirements of § 32.2000(e) and (f) of Subpart C.

(c) Class B companies shall keep ~~all the accounts of this system of accounts which are applicable to their affairs and are designated as Class B accounts. These companies shall also keep~~ Continuing Property Records in compliance with the requirements of §§ 32.2000(e)(7)(A) and 32.2000 (f) of Subpart C.

(d) ~~All Class B~~ companies that desire more detailed accounting may keep ~~adopt~~ the accounts prescribed for Class A companies, ~~upon the submission of a written notification to the Commission.~~

(e) The initial classification of a company shall be determined by its lowest annual operating revenues for the five immediately preceding years. Subsequent changes in classification shall be made when the annual operating revenues show a greater or lesser classification for five consecutive years. Companies becoming subject to the jurisdiction of the Commission and not having revenue data for the five immediately preceding years shall estimate the amount of their annual revenues and adopt the scheme of accounts appropriate for the amount of such estimated revenues.

Account title	Class A account	Class B account
Current Assets		
Cash and equivalents:		
Cash and equivalents.....		1120
Cash.....	1130	
Special cash deposits.....	1140	
Working cash advances.....	1150	
Temporary investments.....	1160	
Receivables and allowances for doubtful accounts:		
Telecommunications accounts receivable.....	1180	1180
Accounts receivable allowance-- telecommunications.....	1181	1181
Other accounts receivable.....	1190	1190
Accounts receivable allowance--other.....	1191	1191
Notes receivable.....	1200	1200
Notes receivable allowance.....	1201	1201
Interest and dividends receivable.....	1210	1210
Supplies:		
Material and supplies.....	1220	1220
Prepayments:		
Prepayments.....		1280
Prepaid rents.....	1290	
Prepaid taxes.....	1300	
Prepaid insurance.....	1310	
Prepaid directory expenses.....	1320	
Other prepayments.....	1330	
Other current assets:		
Other current assets.....	1350	1350
Noncurrent Assets		
Investments:		
Investment in affiliated companies.....	1401	1401
Investments in nonaffiliated companies.....	1402	1402
Nonregulated investments.....	1406	1406
Unamortized debt issuance expense.....	1407	1407
Sinking funds.....	1408	1408
Other noncurrent assets.....	1410	1410
Deferred charges:		
Deferred tax regulatory asset.....	1437	1437
Deferred maintenance and retirements.....	1438	1438

Account title	Class A account	Class B account
Deferred charges.....	1439	1439
Other:		
Other jurisdictional assets--net.....	1500	1500
REGULATED PLANT		
Property, plant and equipment:		
Telecommunications plant in service.....	2001	2001
Property held for future telecommunications use.....	2002	2002
Telecommunications plant under construction--	2003	2003
Telecommunications plant adjustment.....	2005	2005
Nonoperating plant.....	2006	2006
Goodwill.....	2007	2007
TELECOMMUNICATIONS PLANT IN SERVICE (TPIS)		
TPIS--General support assets:		
Land and support assets.....		2110
Land.....	2111	
Motor vehicles.....	2112	
Aircraft.....	2113	
Special purpose vehicles.....	2114	
Garage work equipment.....	2115	
Other work equipment.....	2116	
Buildings	2121	
Furniture	2122	
Office equipment.....	2123	
General purpose computers.....	2124	
TPIS--Central Office assets:		
Central Office--Switching.....		2210
Analog electronic switching.....	2211	
Digital electronic switching.....	2212	
Electro-mechanical switching.....	2215	
Operator systems.....	2220	2220
Central Office--Transmission.....		2230
Radio systems.....	2231	
Circuit equipment.....	2232	
TPIS--Information origination/termination assets:		
Information origination/termination.....		2310
Station apparatus.....	2311	
Customer premises wiring.....	2321	
Large private branch exchanges.....	2341	
Public telephone terminal equipment.....	2351	

Account title	Class A account	Class B account
Other terminal equipment.....	2362	
TPIS--Cable and wire facilities assets:		
Cable and wire facilities.....		2410
Poles.....	2411	
Aerial cable.....	2421	
Underground cable.....	2422	
Buried cable.....	2423	
Submarine cable.....	2424	
Deep Sea cable.....	2425	
Intrabuilding network cable.....	2426	
Aerial wire.....	2431	
Conduit systems.....	2441	
TPIS--Amortizable assets:		
Amortizable tangible assets.....		2680
Capital leases.....	2681	
Leasehold improvements.....	2682	
Intangibles.....	2690	2690
Depreciation and amortization:		
Accumulated depreciation.....	3100	3100
Accumulated depreciation--Held for future telecommunications use.....	3200	3200
Accumulated depreciation--Nonoperating.....	3300	3300
Accumulated amortization--Tangible.....		3400
Accumulated amortization--Capitalized leases....	3410	
Accumulated amortization--Leasehold improvements	3420	
Accumulated amortization--Intangible.....	3500	3500
Accumulated amortization--Other.....	3600	3600
Current liabilities:		
Accounts payable.....	4010	4010
Notes payable.....	4020	4020
Advance billing and payments.....	4030	4030
Customer's deposits.....	4040	4040
Current maturities--long-term debt.....	4050	4050
Current maturities--capital leases.....	4060	4060
Income taxes--accrued.....	4070	4070
Other taxes--accrued.....	4080	4080
Net Current Deferred Operating Income Taxes.....	4100	4100
Net Current Deferred Nonoperating Income Taxes..	4110	4110
Other accrued liabilities.....	4120	4120
Other current liabilities.....	4130	4130

Account title	Class A account	Class B account
Long-term debt:		
Funded debt.....	4210	4210
Premium on long-term debt.....	4220	4220
Discount on long-term debt.....	4230	4230
Reacquired debt.....	4240	4240
Obligations under capital leases.....	4250	4250
Advances from affiliated companies.....	4260	4260
Other long-term debt.....	4270	4270
Other liabilities and deferred credits:		
Other long-term liabilities.....	4310	4310
Unamortized operating investment tax credits net	4320	4320
Unamortized nonoperating investment tax credits net.....	4330	4330
Net noncurrent deferred operating income taxes..	4340	4340
Net deferred tax liability adjustments.....	4341	4341
Net noncurrent deferred nonoperating income taxes.....	4350	4350
Other deferred credits.....	4360	4360
Deferred tax regulatory liability.....	4361	4361
Other jurisdictional liabilities and deferred credits--net.....	4370	4370
Stockholders' equity:		
Capital stock.....	4510	4510
Additional paid-in capital.....	4520	4520
Treasury stock.....	4530	4530
Other capital.....	4540	4540
Retained earnings.....	4550	4550
Local Network Services Revenues:		
Basic local service revenue.....	5000	5000
Basic area revenue.....	5001	
Optional extended area revenue.....	5002	
Cellular mobile revenue.....	5003	
Other mobile services revenue.....	5004	
Public telephone revenue.....	5010	
Local private line revenue.....	5040	
Customer premises revenue.....	5050	
Other local exchange revenue.....	5060	
Other local exchange revenue settlements.....	5069	
Network Access Services Revenues:		
Network access revenue.....	5080	5080
End user revenue.....	5081	5081
Switched access revenue.....	5082	5082
Special access revenue.....	5083	5083
State access revenue.....	5084	5084

Account title	Class A account	Class B account
Long Distance Network Services Revenues:		
Long distance message revenue.....	5100	5100
Unidirectional long distance revenue.....	5110	
Long distance inward-only revenue.....	5111	
Long distance outward-only revenue.....	5112	
Long distance private network revenue.....	5120	
Subvoice grade long distance private network revenue.....	5121	
Voice grade long distance private network revenue.....	5122	
Audio program grade long distance private network revenue....	5123	
Video program grade long distance private network revenue.....	5124	
Digital transmission long distance private network revenue.....	5125	
Long distance private network switching revenue.....	5126	
Other long distance private network revenue...	5128	
Other long distance private network revenue settlements.....	5129	
Other long distance revenue.....	5160	
Other long distance revenue settlements.....	5169	
Miscellaneous Revenues:		
Miscellaneous revenue.....		5200
Directory revenue.....	5230	
Rent revenue.....	5240	
Corporate operations revenue.....	5250	
Miscellaneous revenue.....	5260	
Special billing arrangements revenue.....	5261	
Customer operations revenue.....	5262	
Plant operations revenue.....	5263	
Other incidental regulated revenue.....	5264	
Other revenue settlements.....	5269	
Carrier billing and collection revenue.....	5270	
Nonregulated Revenues:		
Nonregulated operating revenue.....	5280	5280
Uncollectible Revenues:		
Uncollectible revenue.....	5300	5300
Uncollectible revenue--Telecommunications.....	5301	
Uncollectible revenue--Other.....	5302	
Plant specific operations expense:		
Network support expense.....	6110	6110
Motor vehicle expense.....	6112	
Aircraft expense.....	6113	
Special purpose vehicles expense.....	6114	
Garage work equipment expense.....	6115	
Other work equipment expense.....	6116	

Account title	Class A account	Class B account
General support expenses.....	6120	6120
Land and building expenses.....	6121	
Furniture and artworks expense.....	6122	
Office equipment expense.....	6123	
General purpose computers expense.....	6124	
Central office switching expense.....	6210	6210
Analog electronic expense.....	6211	
Digital electronic expense.....	6212	
Electro-mechanical expense.....	6215	
Operators system expense.....	6220	6220
Central office transmission expenses.....	6230	6230
Radio systems expense.....	6231	
Circuit equipment expense.....	6232	
Information origination/termination expense...	6310	6310
Station apparatus expense.....	6311	
Large private branch exchange expense.....	6341	
Public telephone terminal equipment expense...	6351	
Other terminal equipment expense.....	6362	
Cable and wire facilities expenses.....	6410	6410
Poles expense.....	6411	
Aerial cable expense.....	6421	
Underground cable expense.....	6422	
Buried cable expense.....	6423	
Submarine cable expense.....	6424	
Deep sea cable expense.....	6425	
Intrabuilding network cable expense.....	6426	
Aerial wire expense.....	6431	
Conduit systems expense.....	6441	
Plant nonspecific operations expense:		
Other property plant and equipment expenses...	6510	6510
Property held for future telecommunications use expense.	6511	
Provisioning expense.....	6512	
Network operations expenses.....	6530	6530
Power expense.....	6531	
Network administration expense.....	6532	
Testing expense.....	6533	
Plant operations administration expense.....	6534	
Engineering expense.....	6535	
Access expense.....	6540	6540
Depreciation and amortization expenses.....	6560	6560
Depreciation expense--telecommunications plant in service.	6561	
Depreciation expense--property held for future		

Account title	Class A account	Class B account
telecommunications use.....		6562
Amortization expense--tangible.....	6563	
Amortization expense--intangible.....	6564	
Amortization expense--other.....	6565	
Customer operations expense:		
Marketing.....	6610	6610
Product management.....	6611	
Sales.....	6612	
Product advertising.....	6613	
Services.....	6620	6620
Call completion services.....	6621	
Number services.....	6622	
Customer services.....	6623	
Corporate operations expense:		
Executive and planning.....	6710	6710
Executive.....	6711	
Planning.....	6712	
General and administrative.....	6720	6720
Accounting and finance.....	6721	
External relations.....	6722	
Human resources.....	6723	
Information management.....	6724	
Legal.....	6725	
Procurement.....	6726	
Research and development.....	6727	
Other general and administrative.....	6728	
Provision for uncollectible notes receivable..	6790	6790
Other operating income and expense:		
Other operating income and expense.....	7100	7100
Income from custom work.....	7110	
Return from nonregulated use of regulated facilities.....	7130	
Gains and losses from foreign exchange.....	7140	
Gains or losses from disposition of land and artwork.....	7150	
Other operating gains and losses.....	7160	
Operating taxes:		
Operating taxes.....	7200	7200
Operating investment tax credits--net.....	7210	
Operating Federal income taxes.....	7220	
Operating State and local income taxes.....	7230	
Operating other taxes.....	7240	

Account title	Class A account	Class B account
Provision for deferred operating income taxes--net.....	7250	
Nonoperating income and expense:		
Nonoperating income and expense.....	7300	7300
Dividend income.....	7310	
Interest income.....	7320	
Income from sinking and other funds.....	7330	
Allowance for funds used during construction..		7340
Gains or losses from the disposition of certain property.....	7350	
Other nonoperating income.....	7360	
Special charges.....	7370	
Nonoperating taxes:		
Nonoperating taxes.....	7400	7400
Nonoperating investment tax credits--net.....	7410	
Nonoperating Federal income taxes.....	7420	
Nonoperating State and local income taxes.....	7430	
Nonoperating other taxes.....	7440	
Provision for deferred nonoperating income taxes--net.....		7450
Interest and related items:		
Interest and related items.....	7500	7500
Interest on funded debt.....	7510	
Interest expense--capital Leases.....	7520	
Amortization of debt issuance expense.....	7530	
Other interest deductions.....	7540	
Extraordinary items:		
Extraordinary items.....	7600	7600
Extraordinary income credits.....		7610
Extraordinary income charges.....	7620	
Current income tax effect of extraordinary items--net.....	7630	
Provision for deferred income tax effect of extraordinary items--net..	7640	
Jurisdictional Differences and nonregulated income items:		
Income effect of jurisdictional ratemaking difference--net.....	7910	7910
Nonregulated net income.....	7990	7990